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ÚSTAV EKONOMIKY

**THE IMPACT AND ISSUES OF CULTURAL  
DIVERSITY ON MANAGEMENT IN A SELECTED  
COMPANY**

VLIV KULTURNÍ DIVERZITY NA ŘÍZENÍ PODNIKU VE VYBRANÉ SPOLEČNOSTI

**BACHELOR'S THESIS**

BAKALÁŘSKÁ PRÁCE

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HOFSTEDE, G., G. J. HOFSTEDE and M. MINKOV. Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival. New York: McGraw-Hill Education, 2010. ISBN 978-007166418.

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## **Abstrakt**

Tato bakalářská práce se zabývá vlivem kulturní diverzity na řízení týmu a podniku vybrané společnosti. Teoretická část se zaměřuje zejména na kulturní teorii Hofstedeho a jeho poznatky k obtížnosti vedení multikulturního týmu, ale též bere v potaz i ostatní teoretiky. Tato práce využívá několik dotazníků ke zjištění mezikulturního vlivu na vybranou společnost a analyzuje tyto výsledky, které jsou následně využity k návrhům pro zlepšení výkonnosti podniku.

## **Abstract**

This bachelor thesis focuses on the impact and issues of cultural diversity on management and leadership in a selected company operating internationally. Theoretical analysis focuses mainly on Hofstede's understanding of culture and the difficulties of multicultural teams, but takes into consideration other cultural theories as well. Furthermore, this thesis uses several questionnaires to gain better insight into the intercultural environment of a selected company. At the end of the thesis, various proposals are provided in order to augment the company's performance.

## **Key words**

Management, cultural diversity, culture influence, Hofstede, Lewis, Hibbert, leadership

## **Klíčová slova**

Management, kulturní diverzita, vliv kultury na management, vedení týmu, Hofstede, Lewis, Hibbert

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## **Declaration**

I declare that the submitted bachelor's thesis is original and has been written independently. I also declare that the list of references is complete and copyrights are not violated (pursuant to Act No. 121/2000 Coll., on Copyright Law and Rights Related to Copyright Act).

Brno, 28. May

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Author's signature

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# INTRODUCTION

Management is facing new challenges and issues due to globalisation in international companies. While several decades ago, having a multicultural team was rare, these days it is increasingly even common in countries where it would have been deemed nearly impossible before. Having a multicultural team can contribute to improving business performance, but at the same time, it can also hinder the progress of the company, if the team is not one coherent unit. It is one of the responsibilities of the leader to help his or her team to achieve success even if the cultural values are different.

This thesis focuses on the impact and issues of cultural diversity on management, as well as on the ordinary employees. Furthermore, this thesis also aims to explain to the reader the theoretical background of intercultural management and apply it on a selected company, which operates in the software field. Various authors and researchers are discussed to find the correct approach for augmenting the selected company, to help the managers achieved better success in the future. The thesis is divided into three different chapters.

First chapter aims to introduce the fundamentals of culture to the reader, while providing deeper insight and giving further information on recognising culture patterns in various countries. In addition, the theoretical work of several authors is shown to understand the basics of the culture. Hofstede's analysis of IBM employees' comprehension of culture is examined, for it is similar in focus to the selected company. Due to the company's business focus, three countries will be discussed in more detail: France, Japan, and Sweden.

Second chapter shows the analysis of the selected company, its services and history, as well as its organisational structure. It also deals with the analysis of the employees and the possible influence their culture may have on both the management and the company. This chapter also carries the current situation by providing a questionnaire survey to the employees.

The third chapter suggests an approach for the company to improve the cultural awareness of both management and workforce based on the results from the second

chapter; proposals in detail are given to the company, to understand in what parts the company can improve and how the leaders can improve the success of their teams.

## AIM OF THE THESIS

The main aim of the thesis is to discover the impact and issues of cultural diversity on management in the company *Epona*, to suggest possible improvements and proposals to this company in order to analyse and augment the relationships between workforce and managers, while at the same time clearly explain the theoretical background needed for correct comprehension. This is the greatest task that needs to be fulfilled; if possible, improvements need to be applicable, according to the company's wishes.

Firstly, I have conducted a research with the employees of the company. The survey was performed over email and the results are shown by charts and tables supplied with explanation and notes to help the reader understand the analysis better. I have used descriptive statistics and I have processed and evaluated the data in Microsoft Office Excel. Because of this survey and my work for the company, I have gained a conception how *Epona* works.

Thirdly, I have conducted two structured interviews with similar questions. While one aims at the lower management, the second one aims at the mid-upper level of management (Appendix 2). These questionnaires are based on open questions and I have compared the data gathered from both interviews to perceive the contrast on the influence on different level of management.

Finally, after gathering the data from the questionnaires, I suggest several propositions based on the discussion with the management and questionnaires. The most pressing issues are to stop the turnover of the employees and augment the teams' progress and ability to communicate. Author's conclusion will be used in meeting with the managers and if deemed appropriate, these changes may be implemented in the company. It also needs to be mentioned that as the selected company did not want to share the information they provided, therefore acronyms are used.

# 1 THEORETICAL BACKGROUND

This chapter mainly focuses on providing theoretical background that is necessary for the second part of the thesis. To illustrate the point, excerpts mainly from Hofstede's essential book *Cultures and Organizations: Software of the Mind*, are discussed.

Furthermore, Hibberts' *Leading Multicultural Firms* is key for the second part, in which we will discuss the issues in forming a multicultural team. Halverson's and Tirmizi's book *Effective Multicultural Teams: Theory and Practice* will help us shed some light on problematic stages of team forming, as well as providing more detailed theory than the work of Hibberts. In the first part of this chapter, the definition of culture and its manifestation is discussed. While the focus remains on Hofstede's cultural theories, it is not the only one mentioned; others, such as Lewis' theory or notions of culture and communication by Young Yun Kim from his *Becoming Intercultural: An Integrative Theory of Communication and Cross-cultural Adaptation*.

## 1.1 Definition of culture

In his book, Hofstede claims that culture is always a collective phenomenon, as it is shared with other people from the same surroundings, where it is learned. Therefore, Hofstede concludes that culture is "collective mental programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede 2010: 6). Nevertheless, Hofstede goes a bit further and explains why it is necessary to know about culture and how is this knowledge helpful:

[t]he world is full of confrontations between people, groups, and nations who think, feel, and act differently [...] understanding the differences in the ways these leaders and their followers think, feel and act is a condition for bringing about worldwide solutions that work (Hofstede, 2010: 4).

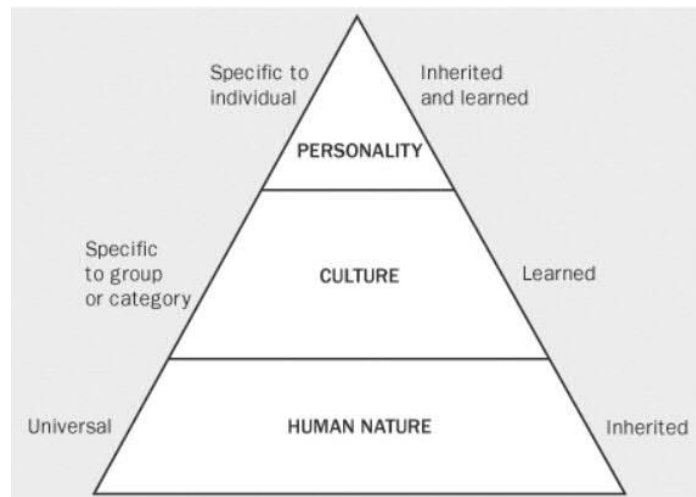
As Hofstede states, to understand the culture of other is key; to understand others and understand one's own. One might say that communication is key and without it, it is hard to grasp the meaning of other people:

“[o]ne of the reasons why so many solutions do not work or cannot be implemented is that differences in thinking among the partners have been ignored” (Hofstede, 2010: 4).

Young Yun Kim notices in his book that culture is also a communication process and if one wants to understand culture, it is necessary to define communication as well. As he states: “communication is broadly to include all activities of message exchange between an individual and an environment. All actions and events are communicative messages as soon as they are perceived by a human being” (Kim, 2001: 32). Richard Lewis, in his work *When Cultures Collide: Leading Across Cultures* bears a notion against Kim’s statement about communication, noting that while it is an important part of the culture, it is important to mention that “[communication] is a two-way process, involving not only the communicative skill of the speaker but, just as important, the listening habits of the interlocutor or audience” (Lewis, 2004: 69). According to this statement, he augments Kim’s theory even further: “[j]ust as different cultures don’t use speech the same way, neither do they listen the same way” (Lewis, 2004: 69). While Kim states the importance of communication for culture, Lewis believes that culture defies communication as well. James W. Carey with his *Communication as Culture: Essays on Media and Society* does have his own opinion in this matter: “[w]hen the idea of culture enters communication research, it emerges as the environment of an organism or a system to be maintained or a power over the subject” (Carey, 1992: 6).

It was already stated that culture is a collective mental programming (Hofstede, 2010). In the figure below, one may perceive three uniqueness of mental programming. While *personality* is a set of mental programs that do not need to be shared with anyone, it is based on traits and partially genes. It is influence by both culture, as well as personal experiences (Hofstede, 2010). The issue with *culture* lies in the past, when scholars have attributed this group to heredity. As Hofstede (2010) explains, the role of heredity is exaggerated in pseudo theories of race, which is also responsible for the holocaust by the Nazis during the Second World War. *Human nature* is universal and inherited (Hofstede, 2010: 7). Lewis describes the *Human Nature* simply: “deep down all people are alike” (Lewis, 2004: 18).

Figure 1: Three levels of mental programming



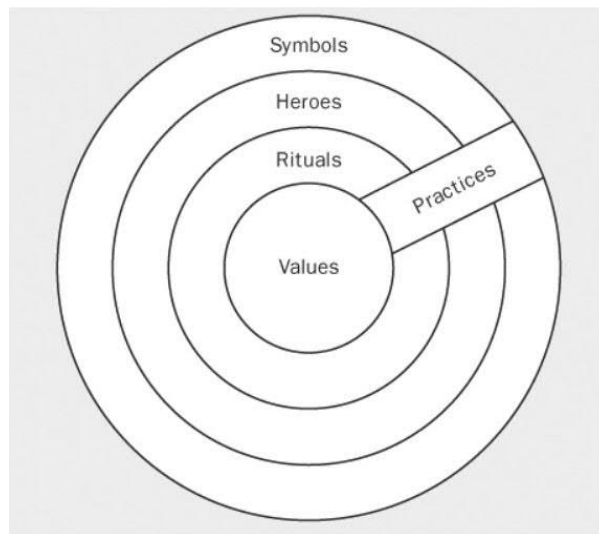
Source: Hofstede (2010)

## 1.2 Manifestation of culture, cultural theories

Culture is often visualised as layers, and two most often used versions are by Hofstede and by Trompenaars; pictured as onions. Compared to Hofstede, the latter has only three layers: outer, middle and the deepest one, inner layer. Nevertheless, in this thesis we will focus on the model by Hofstede, as it is arguably more influential. In the following figure, you may see the four layers, with values being the deepest manifestation of the culture, while symbols being the most superficial and shallow layer:



Figure 2: Layers of culture by Hofstede



Source: Hofstede (2010)

Hofstede (2010: 6) voices his opinion about the layers as follows:

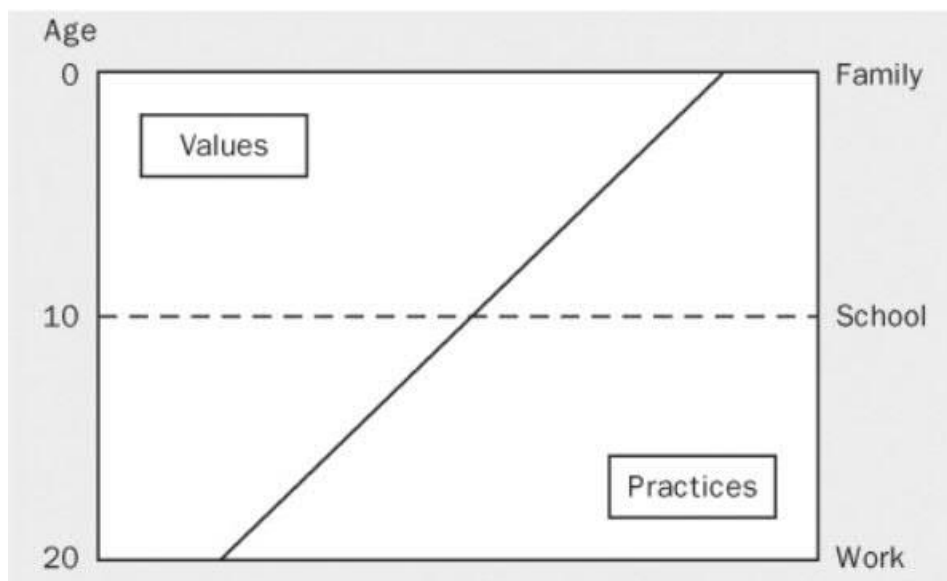
- *Symbols* are items, such as pictures, words, or gestures, that do carry a special meaning which is recognised only by those, who share the same culture. As another example, one could say a special word in jargon, such as “duck”, that is common in part of England, but carries a different meaning to the animal. As it is the shallowest layer, developing new symbols and disappearing of the old ones is common; borrowing symbols from a different cultural group is not unusual.
- *Heroes*, which is the second shallowest layer, consist of virtually anyone (even dead or imaginary people), who does possess characteristics prized in that culture, becoming a model person. Hofstede gives examples such as Barbie or Batman; for Czechs, another possibility is Jara Cimrman, an imaginary inventor who embodies the characteristics of Czech people. In addition, Hofstede also mentions that since we are in the age of television, outward appearance became more intriguing to people than before.
- *Rituals* are collective activities that are excessive, but within the culture they are socially important; even essential. This means rituals are carried for their own sake and social groups are continuing in performing them for seemingly no purpose. As an example, one could show differences in greetings and paying

respect to other members of the group; a visible difference would be in Japan and Indian tribes. This, of course, applies to both social and religious ceremonies, as well as business conducts. Hofstede (2010: 9) also mentions that rituals include *discourse*, which he defines as “the way language is used in text and talk, in daily interaction, and in communicating beliefs”.

- *Values* are the core of culture. Hofstede marks them broadly, as tendencies that stay in opposite to each other, such “evil versus good”, “dangerous versus safe”, or “ugly versus beautiful”. All the examples are subjective, so they may differ from culture to culture.

While the first three layers can be grouped into *practices*, a part of character “visible to an outside observer” (Hofstede, 2010: 9), even though the cultural meaning is invisible and carries meaning only for the members of the same group. However, values are different, as we acquire our *values* from birth and as we age, we learn and focus on new practices; these *values* influence all other layers. The importance for this thesis lies in determining the age and capability to learn of other employees, which is a crucial skill for the leader; get to know your team mates and their background. Below one can find the learning figure of *values* and *practices*:

Figure 3: Values and Practices relevant to age



Source: Hofstede (2010)

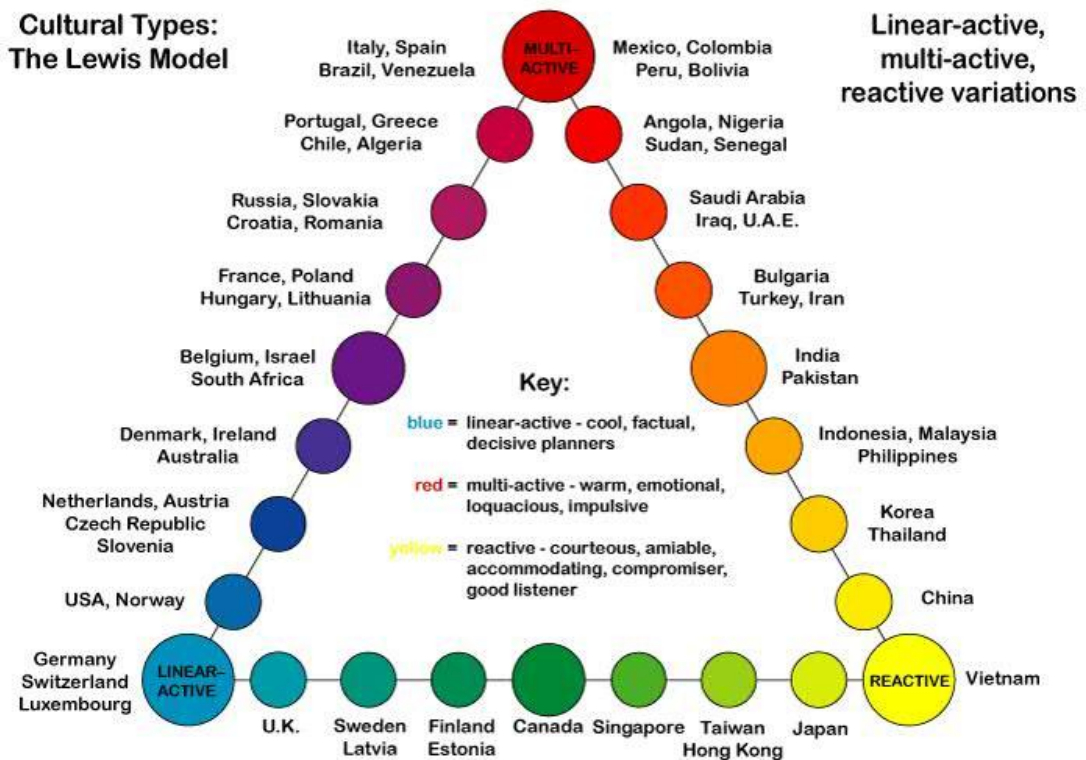
### 1.2.1. Different cultural theories

This work has already mentioned Hofstede's work, but it goes into his theory more into detail later in this chapter. Nevertheless, it is interesting to note other theories and how they work:

- Kluckhohn and Strodtbeck's theory of Basic Values
- Pinto's theory
- Trompenaars' theory
- Hall's theory
- Lewis' theory (Model of cultural types)

Out of these five different theories, Lewis' Model of cultural types brings the most interesting topics in conjunction with this thesis.

Figure 4 The Lewis model of Cultural Types



Source: [bestcareermatch.com](http://bestcareermatch.com)

Lewis believes that culture is defined by working habits and behavior of the selected group. As one can see in the picture, most of the countries tend to lean to one of the

styles, but are usually linked to a second style. Such an example may be France, which is defined as multi-active primarily, but still linear-active as well. Asian countries tend to be reactive, especially Japan and Vietnam (Lewis 519). One can easily perceive why there might be a difficulty in organize a team composing of Swedish, Japanese and a French worker.

Therefore, Lewis claims that knowledge and understanding is necessary to achieve business with different cultures. This goes hand in hand with others' opinions, but especially warmly with Hofstede's opinions:

[i]f we have to interact with particular other cultures, we have to learn about these cultures. We should learn about their symbols, their heroes, and their rituals; while we may never share their values, we may at least get an intellectual grasp of where their values differ from ours" (Hofstede, 420).

One may conclude that knowing the culture is for the leader, if not a necessary one, then a much sought-for skill. One may argue that knowing how to deal with different cultures is going to be even more necessary in the future.

However, not everyone agrees with using Hofstede's work to assess cultural differences. Dr. Finn Majlergaard argues that it focuses too much on Caucasian males (Majlergaard, Linked-in). Furthermore, Majlergaard provides his worry that if one uses Hofstede's theory overly, "you end up stereotyping. If the only tool you have is a hammer, then everything you see will be a nail" (Majlergaard, Linked-in).

### **1.3 Multicultural team creation and its difficulties**

Evelyn Hibbert's and Richard Hibbert's collaboration created an influencing book named *Leading Multicultural Teams*, in which the authors discuss the whole lifecycle of teams, major differences between multicultural and monocultural groups and offer their opinions on the gravest of difficulties. Hibberts describe the most important feature of a team the reasoning that "it forms for a specific purpose [...] [it] revolves around that purpose and should disband once the purpose has been achieved" (2014). If a new focus arises, Hibberts believe that it completely changes the dynamics of the team and it

effectively forms a new team. To support their opinion, Hibberts give three essential ingredients for an effective team (2014):

- Goals: Shared commitment to a clear vision, goals, and mutual agreed-on strategies
- Roles: Balanced roles and skills, with an understanding and appreciation of each other's roles and skills
- Healthy relationships: High level of trust, support and participation, as well as conflict resolution and appreciation of team mates

Hibberts (2014) claim that team members are usually not aware of their own deeply culture differences: “[a]s team members generally lack awareness of most of their cultural values because they are implicitly and deeply held, they need to be helped to understand their own values...” (2014). However, Hibberts also notice that the necessary help needs to be given by the leader, as it rarely happens otherwise (2014). This help, among other things, depends on different stages of team life cycle:

### **1.3.1. Team development models**

Claire Halverson and Aqeel Tirmizi wrote a book *Effective Multicultural Teams: Theory and Practice*, in which they discuss how the teams are formed and what researches are most vital; as one of the most influencing models, they give the Turner's model. Even though it is getting old, it is still used nowadays and what more, most of the present models are using it in some form and even now it is still used in the workplace, as both Halverson and Tirmizi notice (2008: 82). Turner model consists of four stages: Forming, Storming, Norming and Performing, even though he later added a fifth stage, as many models nowadays come from the four-stage Turner model, it is used in this thesis. Nevertheless, it is necessary to mention that some researchers, such as Mary Maples, think that the stages are too limited and in their own projects four sub stages are added into each stage (Halverson and Tirmizi, 2008: 82). Below, one can find the basic four stages made by Turner and mentioned by Hibberts:

Figure 5: Stage of forming teams

STAGE	CHARACTERISTICS
<b>Forming</b>	<b>THE HONEYMOON STAGE</b> Expectations are unclear. Members test the water. As they explore the boundaries of acceptable group behavior, they tend to avoid conflict and carefully watch each other's behaviors. There is politeness, formality, and a sense of awkwardness. Members feel anticipation and optimism but have only a tentative attachment to the team. Little is achieved on the team's task.
<b>Storming</b>	<b>CONFLICT</b> Differences among team members become more obvious, and the team wrestles with negotiating these differences. There is conflict and polarization around interpersonal issues and a questioning of commitment. There is impatience at lack of progress on the task, and some members may resort to trying to work alone rather than with the team. Arguments, competitiveness, and factions may develop.
<b>Norming</b>	<b>ACCEPTANCE</b> Members begin to accept the team, its core values, their own roles, and the other members. They develop norms for working together, resolving conflict, and making decisions. Standards and procedures are agreed on, core values are established, and members' roles are defined. Competition gives way to cooperation. There is more friendliness and openness than in the "storming" stage.
<b>Performing</b>	<b>SYNERGISTIC, EFFECTIVE WORK</b> Most of the issues about how to work together have been resolved. Roles are more flexible and functional, and group energy is channeled into the task. Members are tolerant of each other's strengths and weaknesses and are satisfied with progress. Work is done effectively.

Source: Hibberts (2014)

Hibberts give their opinion about what situations during each stage the leader should be wary about the most, albeit in short. It is important to know in which stage the team is right at the moment,

Overall, Hibberts claim that "[m]ulticultural teams consistently need more time to solve problems and make decisions than homogenous groups" (2014). He argues that this difficulty lies in misinterpretation and misunderstanding inside the team and that these difficulties must be tackled and dealt with as soon as possible, otherwise they will grow into more serious problems along the way, which would risk the failing of the team as a whole: "It takes multicultural teams much longer than monocultural teams to get through the storming stage and reach the norming stage. Diversity has a detrimental effect on team functioning in the early stages of forming and norming" (Hibberts, 2014). Both Halverson and Tirmizi agree with Hibberts' notion, adding that it is necessary for the leader to "have the patience and skills to help move the group toward

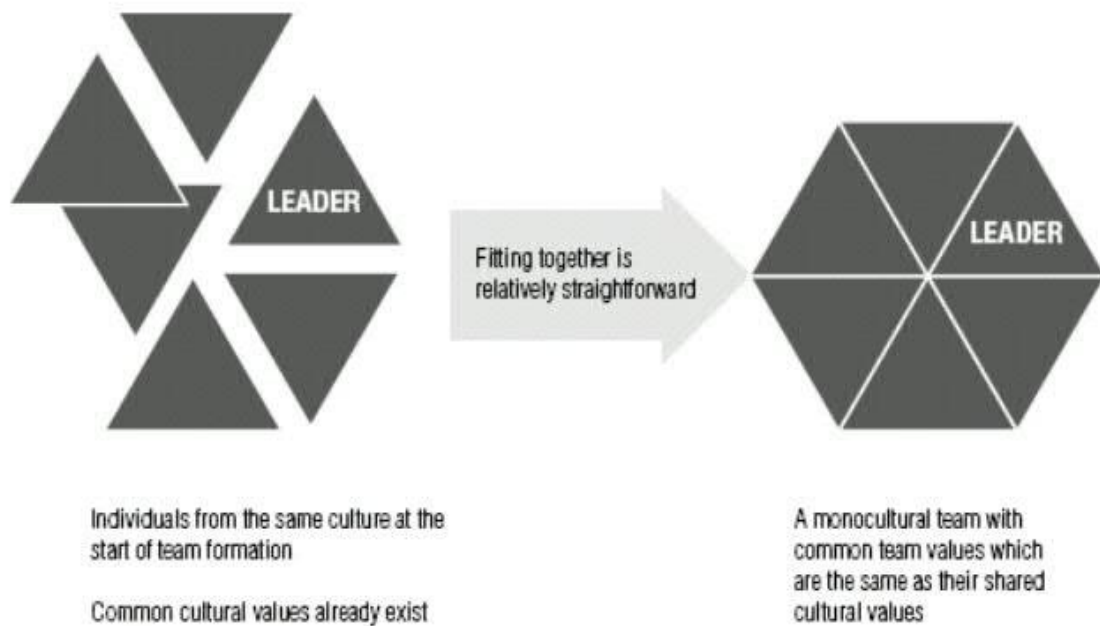
becoming a team” (Halverson and Tirzimi, 2008: 81). Furthermore, they add their own opinion in the matter, stating that “[t]eam development is important for all teams, but especially for multicultural ones [and] teams that are highly developed are able to use their diversity, whereas those that are underdeveloped will experience their diversity as a hindrance” (Halverson and Tirzimi, 2008: 81).

On the other hand, the article *Teams Solve Problems Faster When They Are More Cognitively Diverse* published by Alison Reynolds and David Lewis in Harvard Business Review claims that during their execution exercise, they discovered huge differences in problem understanding in multicultural teams compared to monocultural. As Reynolds and Lewis state their findings: “[a] high degree of cognitive diversity could generate accelerated learning and performance in the face of new, uncertain, and complex situations, as in the case of execution problems we set for our executive” (Reynolds and Lewis, HBR). Once the multicultural team is formed and prepared for the task, both Reynold and Lewis state that the results may exceed expectations, but even more falls on the shoulders of the leader: “[...] leaders will have to get much better at building their team’s sense of psychological safety” (Reynolds and Lewis, HBR). As the formation is the crucial stage of the team, Hibberts give the reader three different possibilities of teams regarding culture; monocultural, bicultural and multicultural.

### **1.3.2. Monocultural team formation**

The team shares the same cultural values and does not have to make any compromises in working together. As all team members come from the same background, their understanding of problems is similar and everyone can focus on solving the tasks in front of them. Even if there is a dysfunction, it should not be extremely difficult to solve the problem together, Hibberts notice. The formation is also easy and straightforward, as all team members can help the team leader (Hibberts 2014).

Figure 6: Monocultural team formation



Source: Hibbert (2010: 13)

### 1.3.3. Bicultural team formation

Hibberts offer advice how to lead a team when there are two different cultures.

According to him, choosing the correct option is based on team leader's experience and ability of adaptation, as will be seen in the next image. There are two possibilities what to do in such a situation:

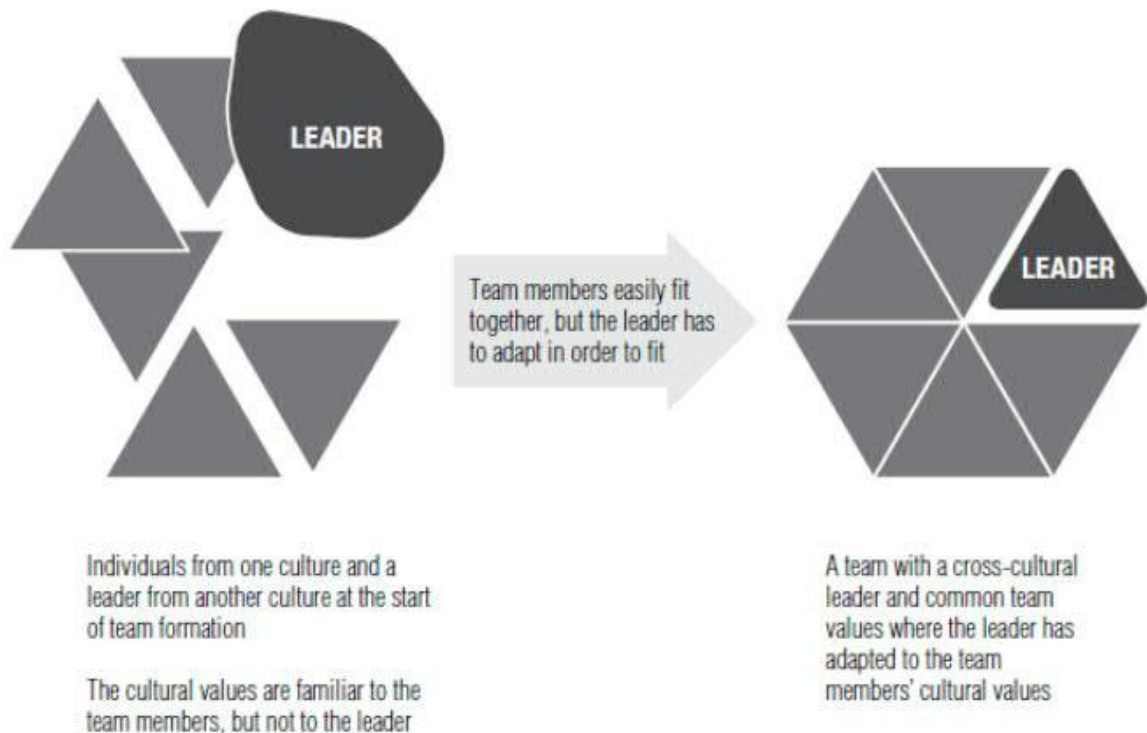
- Impose the dominant's culture on the team; the leader usually belongs to the dominant culture.
- Decide by majority rule.

The latter option may be more difficult, for there is greater chance that the leader does not belong to the dominant culture (Hibberts give an example of an American leading a Korean team in Africa). Then the leader "has to learn the cultural values of the team members' culture and be willing to make major adaptations to his or her own values and leadership style in order to fit well with the rest of the team" (Hibberts, 2014). In any



case, the leader has to invest significantly more time to manage the team than in the case of the monocultural team (Hibberts 2014).

*Figure 7: Bicultural team formation*



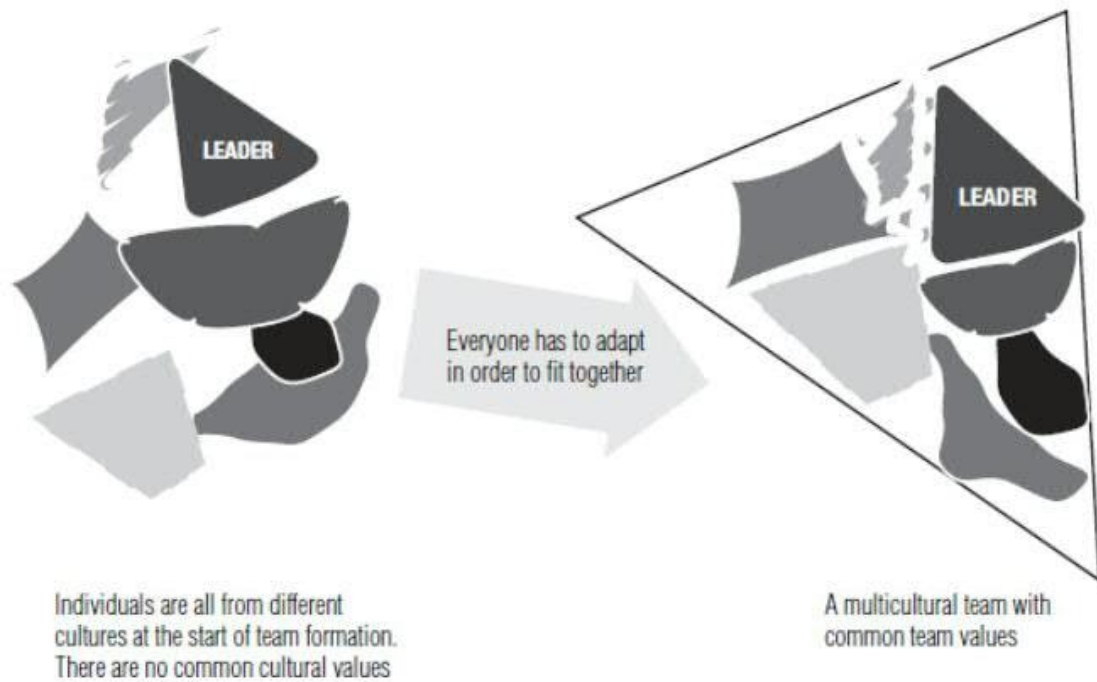
*Source: Hibberts (2010: 13)*

#### **1.3.4. Multicultural team formation**

The greatest difficulty in forming a team where all the members come from a different cultural background lies in its uniqueness and unpredictability, especially during the initial honeymoon phase. Hibberts (2014) argue that the new team values that involve interaction “can only be established through a complex negotiation process”. The task of managing such a demanding task is so difficult that it is “rare for an experienced leader to be able to do it well without help from outside the team” (Hibberts, 2014). While in monocultural teams other team members may help the leader in difficult situations during forming of the team, coming from different background make people reluctant, hinders and slows this process. This brings us back to teaching the leaders

how to deal with multicultural teams and whether higher management motivates them to attend seminars; or learn new things on their own.

*Figure 8: Multicultural team formation*



*Source: Hibberts (2014)*

## **1.4 Hofstede's Cultural Dimensions**

According to Hibberts, there are six dimensions of cultural values and assumptions that are particularly significant in multicultural teams, can cause misunderstanding and are important to be aware of (Hibberts, 2014). While Hibberts mentions these dimensions rather in short, Hofstede gives them a whole chapter; giving them more credit than Hibberts do. More importantly, Hofstede utilises a questionnaire from IBM studies to mark the behaviours between cultures. As the company is in similar field as IBM, this thesis also utilises the results from this study, for the samples are noteworthy.

It is important to note that when Hofstede studied people who worked for IBM, they were picked from more than 50 countries. At first, there results were only four dimensions, but after cooperation Michael Bond and Michael Malkov, Hofstede change

the dimensions to six. Each country gets 0 to 100 points for each dimension and as this thesis focuses on three countries (France, Japan and Sweden), they will be mentioned most often. For each dimension, a figure will be shown with examples of countries from both sides of the scoring spectrum, characteristics of the culture and short proposals how to deal with members of said culture.

#### **1.4.1. Individualism versus collectivism**

Hibberts describe this division as “the degree of importance people attach to their group and the degree to which they prefer to act as individual or as part of a group” (Hibberts 2014). While collectivists are group oriented and closely linked to the group and as Hibberts notice, their decision is often influenced by what would be the best for the group. On the other hand, individualists make the decision based on personal gain rather than group goals. Furthermore, they stress personal achievements (2014).

Hofstede focuses rather broadly on the degree of individualism in society. In his IBM survey, a high score implies a weak connection among those, who are not part of the selected group, or as Hofstede puts it, a “core family”. Therefore, higher number indicates less willingness to take responsibility for one another’s wellbeing, while the lower number implies the opposite. For example, the United States scored 96 points, therefore being highly individualistic, while Guatemala scored 6 points, being the most collectivist country in the survey.

Figure 9: Individualism versus collectivism overview

IDV	Characteristics	Tips
<b>High IDV</b>	<ul style="list-style-type: none"> <li>• High value placed on people's time and their need for privacy and freedom.</li> <li>• An enjoyment of challenges, and an expectation of individual rewards for hard work.</li> <li>• Respect for privacy.</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledge individual accomplishments.</li> <li>• Don't mix work life with social life too much.</li> <li>• Encourage debate and expression of people's own ideas.</li> </ul>
<b>Low IDV</b>	<ul style="list-style-type: none"> <li>• Emphasis on building skills and becoming master of something.</li> <li>• People work for intrinsic rewards.</li> </ul>	<ul style="list-style-type: none"> <li>• Wisdom is important.</li> <li>• Suppress feelings and emotions that may endanger harmony.</li> </ul>

Source: mindtools.com

### 1.4.2. Power Distance

Hibberts argue that cultures have “different ways of structuring their hierarchies” (2014). While some researchers argue that it shows equality and inequality between position, in Hibberts’ opinion the case is not so clear. In fact, they state that some cultures are *comfortable* with the situation and therefore forcing them into a different cultural style could make those employees uncomfortable and feel unequal.

While Hofstede does agree with the statement of hierarchies, according to him the power distance does refer to the degree of inequality. While the higher score marks a person unwilling to confront a person with higher authority, the opposite signifies teams with structure that shares decisions and delegations. Becoming wary of team members’ background is key in this regard; if someone comes from Malaysia, there is a high chance that the person will not be willing to initiate any action and prefer to be guided. The highest scoring country for Power Distance is already mentioned Malaysia with 104 points, while the lowest ranking is Austria with 11 points.

Figure 10: Power Distance index overview

PDI	Characteristics	Tips
<b>High PDI</b>	<ul style="list-style-type: none"> <li>• Centralized organizations.</li> <li>• More complex hierarchies.</li> <li>• Large gaps in compensation, authority and respect.</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledge a leader's status. As an outsider, you may try to circumvent his or her power, but don't push back explicitly.</li> <li>• Be aware that you may need to go to the top for answers.</li> </ul>
<b>Low PDI</b>	<ul style="list-style-type: none"> <li>• Flatter organizations.</li> <li>• Supervisors and employees are considered almost as equals.</li> </ul>	<ul style="list-style-type: none"> <li>• Delegate as much as possible.</li> <li>• Ideally, involve all those in decision making who will be directly affected by the decision.</li> </ul>

Source: mindtools.com

### 1.4.3. Masculinity versus Femininity

Hofstede (2014) notes that there are societies can be divided into a feminine and a masculine one. As he notes, in masculine societies, there is less of overlapping and men are expected to behave without showing weakness, classic traits such as strength are viewed positively. On the opposite side, in feminine societies modesty is a worthy trait; the differences between males and females are diminishing and overlapping. It is also important to have great relationships and cooperation with other, especially one's advisors. If one would work with people from Japan, France and Sweden, as the important countries for this thesis. While Japan has the highest score of 95, Czech Republic has 43, and Sweden only 5 points. It would be tough to establish a cooperation between these three members of a team, as all of them would expect a different setting; which brings us back to Hibberts' point concerning the formation stage of the teams, as it may seem even more important these days due to globalization, as Hofstede himself notices, due to the change on the work people do (Hofstede, 2010: 182). Furthermore, he claims that it is hard for poorer countries to be more feminine. As the IBM survey

comes from the 70s, nowadays Asia encounters a problem with uneven population; as he notices, about 100 million females are lacking, while the male/female ratio is higher in countries valuing feminine culture (Hofstede, 2010: 184).

Figure 11: Masculinity versus Femininity overview

MAS	Characteristics	Tips
<b>High MAS</b>	<ul style="list-style-type: none"> <li>• Strong egos – feelings of pride and importance are attributed to status.</li> <li>• Money and achievement are important.</li> </ul>	<ul style="list-style-type: none"> <li>• Be aware of the possibility of differentiated gender roles.</li> <li>• A long-hours culture may be the norm, so recognize its opportunities and risks.</li> </ul>
<b>Low MAS</b>	<ul style="list-style-type: none"> <li>• Relationship oriented/consensual.</li> <li>• More focus on quality of life.</li> </ul>	<ul style="list-style-type: none"> <li>• Success is more likely to be achieved through negotiation, collaboration and input from all levels.</li> </ul>

Source: mindtools.com

#### 1.4.4. Indulgence versus Restraint

Another relatively new dimension that lacks the much-needed data. Hofstede names this dimension as a subjective well-being, with three questions that come to mind; *happiness* (how is the person happy), *Life control* (how much people believe they have life in their hands and can choose their own destiny) and *Importance of leisure* (how are friends important? How family?). Hofstede notes that “apart from the three key items, the dimension was also positively associated with a high importance of having friends and negatively with choosing thrift as a valuable trait for children” (Hofstede, 2010: 280). South American countries consider themselves as happy and optimistic: Venezuela has 100 points, while Mexico 97. On the opposite scale, one can find Egypt (4) and Pakistan (0), respectively. It is also interesting to note that countries that are short-term oriented score higher on the scale (Hofstede, 2010: 286).

Figure 12: Indulgence versus restraint

PDI	Characteristics	Tips
<b>High Indulgence</b>	<ul style="list-style-type: none"> <li>• Optimistic.</li> <li>• Importance of freedom of speech.</li> <li>• Focus on personal happiness.</li> </ul>	<ul style="list-style-type: none"> <li>• Don't take life too seriously.</li> <li>• Encourage debate and dialogue in meetings or decision making.</li> <li>• Prioritize feedback, coaching and mentoring.</li> <li>• Emphasize flexible working and work-life balance.</li> </ul>
<b>High Restraint</b>	<ul style="list-style-type: none"> <li>• Pessimistic.</li> <li>• More controlled and rigid behavior.</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid making jokes when engaged in formal sessions. Instead, be professional.</li> <li>• Only express negativity about the world during informal meetings.</li> </ul>

Source: mindtools.com

#### 1.4.5. Pragmatic versus normative

Hofstede defines this dimension as a short or long-term Orientation, which stands for the fostering of virtues oriented towards future rewards – in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present – in particular, respect for tradition, preservation of *face*, and fulfilling social obligations. (Hofstede, 2010: 239).

Therefore, one may conclude that those countries that score highly look into the future and are looking for long-term results. China has the greatest amount of points, 118, while Pakistan scored zero. It can be said that Asian countries are more focused on long-term orientation, while Western countries are focusing on short-term gains and



quick results. The issue that happens with this dimension is its novelty; because it was added after the four original ones, the survey from 2010 does not include many countries.

Figure 13: Pragmatic versus Normative overview

PRA	Characteristics	Tips
<b>Pragmatic</b>	<ul style="list-style-type: none"> <li>• People often wonder how to know what is true. For example, questions like "What?" and "How?" are asked more than "Why?"</li> <li>• Thrift and education are seen as positive values.</li> <li>• Modesty.</li> <li>• Virtues and obligations are emphasized.</li> </ul>	<ul style="list-style-type: none"> <li>• Behave in a modest way.</li> <li>• Avoid talking too much about yourself.</li> <li>• People are more willing to compromise, yet this may not always be clear to outsiders; this is certainly so in a culture that also scores high on PDI.</li> </ul>
<b>Normative</b>	<ul style="list-style-type: none"> <li>• People often want to know "Why?"</li> <li>• Strong convictions.</li> <li>• As people tend to oversell themselves, others will assess their assertions critically.</li> <li>• Values and rights are emphasized.</li> </ul>	<ul style="list-style-type: none"> <li>• Sell yourself to be taken seriously.</li> <li>• People are less willing to compromise as this would be seen as weakness.</li> <li>• Flattery empowers.</li> </ul>

Source: [mindtools.com](http://mindtools.com)

#### 1.4.6. Uncertainty avoidance

There are certain societies where people prefer predictable and controllable events, while other societies do not mind uncertainty. While this dimension was found as a by-product of power distance, it is an important measuring tool (Hofstede, 2010: 189). Depending on the levels of job stress, whether company rules should be broken and the



willingness to work for longer period of times for the company. Even though these three questions may seem unrelated, societies share the similar values and it can work as a measuring tool, Hofstede noticed. He defines it as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations” (Hofstede, 2010: 194). The country with the highest score is Greece, which totaled 104 points, while Singapore gained 8 points. Furthermore, Hofstede clears up the issue that countries with low score fear something; fear needs an object, while anxiety is described as a “state of being uneasy or worried about what may happen” (Hofstede, 2010: 195).

Figure 14: Uncertainty avoidance overview

UAI	Characteristics	Tips
<b>High UAI</b>	<ul style="list-style-type: none"> <li>• Conservative, rigid and structured, unless the danger of failure requires a more flexible attitude.</li> <li>• Many societal conventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Be clear and concise about expectations and goals, and set clearly defined parameters. But encourage creative thinking and dialogue where you can.</li> </ul>
<b>Low UAI</b>	<ul style="list-style-type: none"> <li>• Openness to change or innovation, and generally inclusive.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that people remain focused, but don't create too much structure.</li> </ul>

Source: mindtools.com

## **1.5 Summary of the theoretical background**

Culture is a collective phenomenon , which is shared with people from the same surroundings. As Hofstede claims, to understand the culture of others is the key; without understanding each other and realising our differences, we cannot find the correct solution.

One may conclude that diverse culture influences the well-being of the team; both in a positive and a negative way. As Hibberts argue, the formation of the team is the most dangerous part of having a multicultural team and if it is not lead properly by an experienced leader, it might be better to have a monocultural team. If many issues arise, employees may even decide to leave the company, which creates additional cost for the company, as well as lowering goodwill.

Hofstede's theory of Cultural Dimension is used in this thesis extensively, as it is one of the fundamental works, even though there are some critics that disagree with the usability of the theory, such as Majlergaard, who argues that Hofstede's view is too simplified and one might end up stereotyping. Nevertheless, according to others, Hofstede's dimensions "help us better understand cultural context of human behaviour uncover the mental software of categories of people by comparison" (Majlergaard, Linked-in). Although it has its limitations, it is easily accessible to everyone and great as a starting point. Some of the theories are quite difficult to explain and it help to show the basics of the theory.

## **2 PROBLEM ANALYSIS AND CURRENT SITUATION**

As mentioned before, selected company does not want to publicly share the information that was provided to the author of this thesis. Therefore, acronyms and different names are used, but the information and scope of the firm remains the same; for the name, I have decided to choose *Epona*. *Epona* is a smaller firm with about one eighty employees that is part of an international company.

### **2.1 Details of the company**

While the mother company is relatively new, founded only at the end of the last century, it is already ranging at over ten thousand employees all over the world. An American company that deals with software and newly investing into cloud technologies, it is one of the biggest players on the market; the good name of the company backs the market orientation, acquiring interesting start-ups and easier reach for the new markets through expansions. The location of Czech Republic is key for the mother company, as it is in the middle of Europe and the cost labour is lower than in Western Europe.

The focus of this thesis is on a smaller part of the company, *Epona*; a project management firm that is in daily contact with different cultures, with focus on software support of customers' accounts and on managing of said accounts, ordering of software, licenses, and overall acts as a communication bridge between the client and the mother company in regards to software.

#### **2.1.1. History of Epona**

*Epona* was founded in 2013 and is therefore a relatively new company. It was created as a result of the need for quality communication between the mother company and the clients of the company, software support of accounts and optimisation of said accounts. Although it started with twenty employees, due to great results every year it was possible to accept new employees and widen the scope of work. Currently, *Epona* still stays under the wings of the mother company.

### **2.1.2. Current situation in Epona and services provided**

The key activities of Epona are as follows:

- Communication with the clients of the mother company
- License and software support of customer's accounts
- Managing products of mother company
- Correct usage of software and licenses
- Ordering of correct software

### **2.1.3. Language communication and proficiency**

The department mainly deals with transformation and managing of accounts for Swedish, Japanese and French companies. Therefore, it is useful to have employees who can speak these languages without any restraint, as it helps in communication with the clients. Each account has a special Account Executive (often from the corresponding country), with whom the discussion transgresses. While English is the most often used language, and is the primary communication tool within the company, not everyone can speak it fluently, which may create a lot of issues; especially in the case of Japanese and French clients and employees. Most desired languages are as follows:

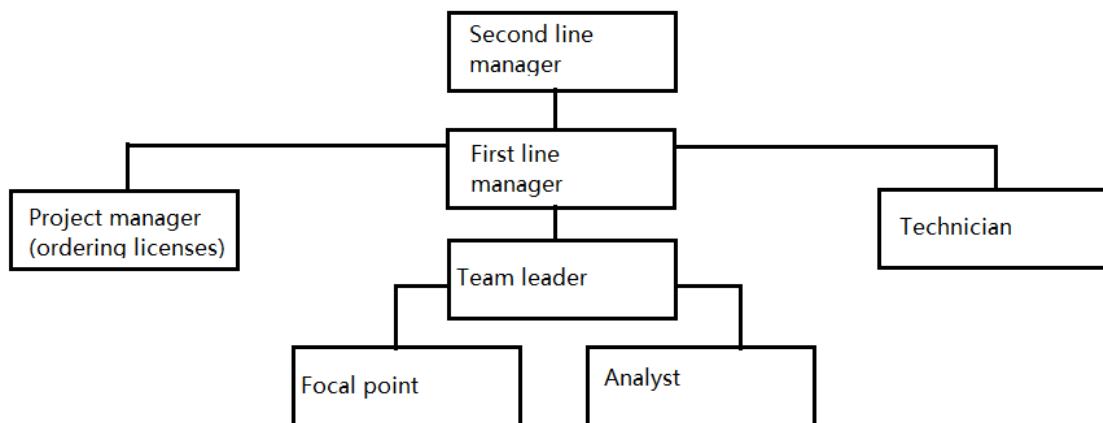
- English
- French
- Japanese
- German
- Swedish
- Italian

While other languages, such as Hungarian or Romanian are used within employees of the same country, they are not considered major. Every language has several speakers, at least two. As there are several foreigners in *Epona*, it is sometimes difficult to understand each other clearly.

#### 2.1.4. Organisational structure

Epona is divided into smaller sections, in which every department has its own role. Employees may ask for a switch into a different department if they do have abilities necessary for the requested position; however, in the case of team leaders and managers, some experience in the company is expected. About thirty people is in every department, with 120 employees overall. Smaller teams have their leader, who has a manager. The whole firm is led by a second level manager, who oversees upon the first level managers. Technicians and project managers deliver their report to their respective first line managers.

*Figure 15: Organistaional structure in Epona*



*Source: Author's own work*

The company is divided into two major sections:

- Sales and provisioning of software
- Reconciliation and analysis of accounts

The company's employees are as follows:

- One second-line manager
- Four first-line managers
- Eleven team leaders

- Eleven Focal Points<sup>1</sup>
- Four project managers for ordering licenses
- Two technicians
- Two product experts
- Ninety-five analysts

Due to higher positions between governed by the mother company, Second line manager is responsible to the Regional manager in the mother company. Other institutions, such as Human resources, are also governed by the mother company.

## **2.2 Analysis of impact and issues of cultural diversity on management in *Epona***

In *Epona*, there are numerous foreign influences both within and outside of the company. While some teams are monocultural, most of them have at least one foreigner and they deal with foreigner executives and clients. While communication within teams happens face to face, communication with the executives and clients are, in most cases, over Skype or rarely in personal meetings when the issue is grave.

This subchapter deals with the aims of the research, methods of research and respective methods of evaluation of said research. Moreover, research universe is identified and the results are analysed.

### **2.2.1. Aims of the research**

The aim of the research is to map the impact of the diverse culture on the management, analyse the situation within the company and find what issues are in the firm due to various culture influences.

### **2.2.2. Research methods**

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<sup>1</sup> Focal point is a person who cares for the administrative tasks in the selected team.

I have worked in the company for several months; therefore, I believe I have a comprehensive awareness of the current situation within the firm.

In order to deepen my knowledge and to acquire more objective data, I have conducted two structured interviews, which happened personally; one with an mid-upper level manager Lucie, the second one with an Italian team leader (could be described as a lower level manager), Sofia. Both of

### **2.2.3. Methods used in evaluation data from questionnaire for employees**

For the questionnaire, descriptive statistics of quantitative data are used, which were then analysed and transferred in Microsoft Office Excel. Responses are clustered by groups and categories, showing their absolute and relative frequency. In most cases, pie chart was used, only for the third and eleventh questions different charts were used; column and bar, respectively.

I have used descriptive statistics of nominal data and as well, I have expressed the absolute frequency by nominal data.

### **2.2.4. Research Sample**

All of 120 employees were asked to fill in the questionnaire, which was done in electronic form via email. Out of those employees, 82 filled in the questionnaire. Further details can be found in the following chapter, such as male/female ratio, age, or time worked for the company.

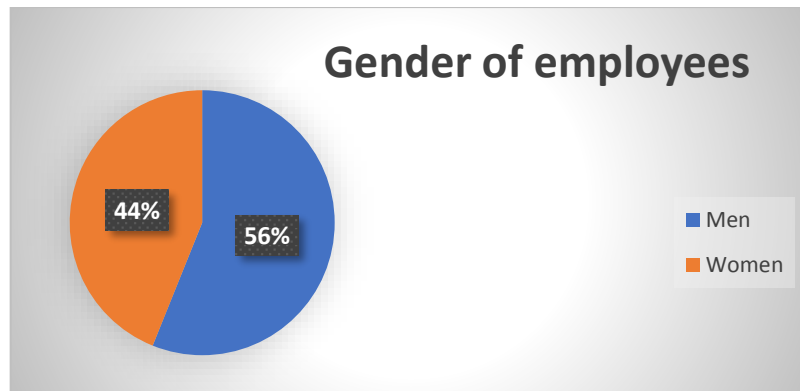
### **2.2.5. Interpretation of questionnaire for employees**

Several key documents were provided to the author of this thesis as a basis for questionnaires. However, as there are many questions in the questionnaire, I have asked the employees once again so I will have more precise data. There are about 120 employees in total, but only 82 participated in the questionnaire. The questionnaire is partially based on Hofstede's theory of cultural dimensions, which is helpful in the next

stage. The first part of the questionnaire focuses on demographic composition, while the latter part deals with the questions on culture and its impact on employees and the company, their opinion on multicultural and monocultural teams, their personal experience with cultural misunderstanding and such.

1) What is your gender?

*Graph 1: Gender of employees*

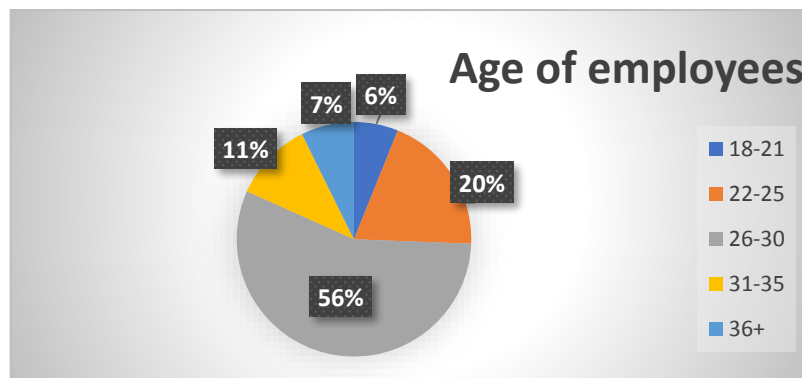


*Source: Author's own work based on questionnaire (Appendix 1)*

There are ten more men than women who participated in the questionnaire; but even then, I believe that the ratio is great. Out of 82 employees, 56% are men and 44% are women.

2) What is your age?

*Graph 2: Age of employees*



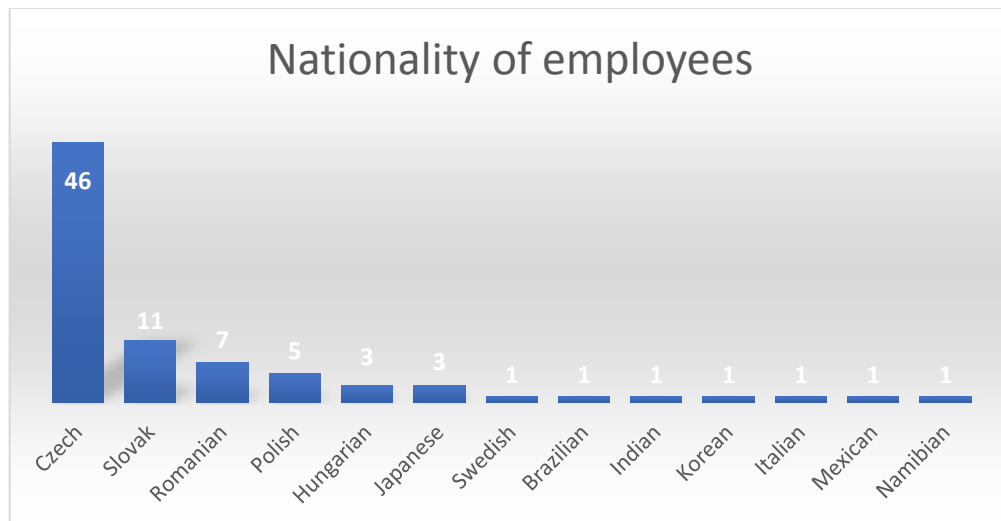
*Source: Author's own work based on questionnaire (Appendix 1)*



Overall, the team is young; 56% are in 26-30 years of age, and if one takes it from 22-30 then it is a great number. One might be only worried about fluctuation of personnel from Epona to the mother company.

### 3) What is your nationality?

*Graph 3: Nationality of employees*

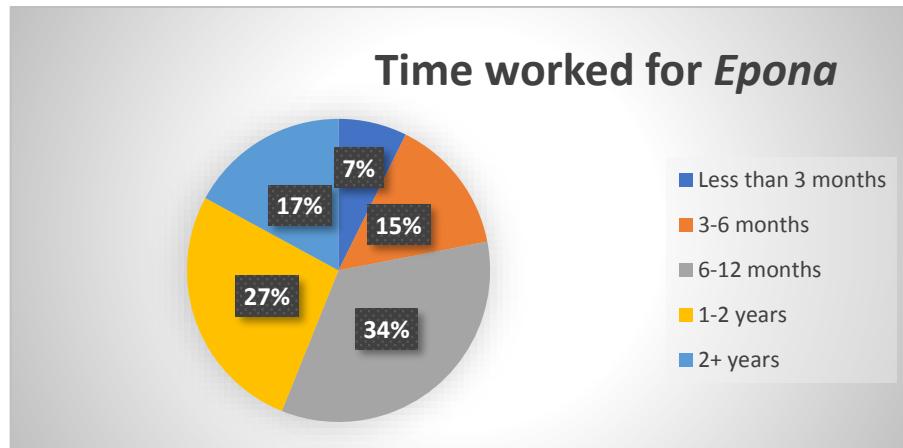


*Source: Author's own work based on questionnaire (Appendix 1)*

As one can see, most of the employees are from the Czech, with Slovak on the second place. While there are relatively many Romanian employees (7), as there is not Romanian client, the language is not considered as a major issue. On the other hand, even as there are no French present, due to several clients being French, it is considered an issue and major language.

4) For how long do you work for *Epona*?

Graph 4: Amount of time employee already works for *Epona*

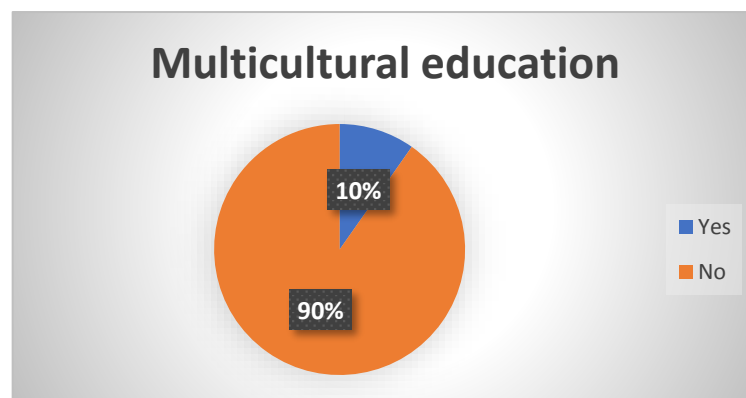


Source: Author's own work based on questionnaire (Appendix 1)

As one can see, most of the employees are in the company within 6 and 24 months (51%). This may be because of position transfers into the mother company, but is also more of seasoned workers than debutants.

5) Did you receive any education at the beginning of your work regarding (multi)culture?

Graph 5: Whether employee has been educated in (multi)culture

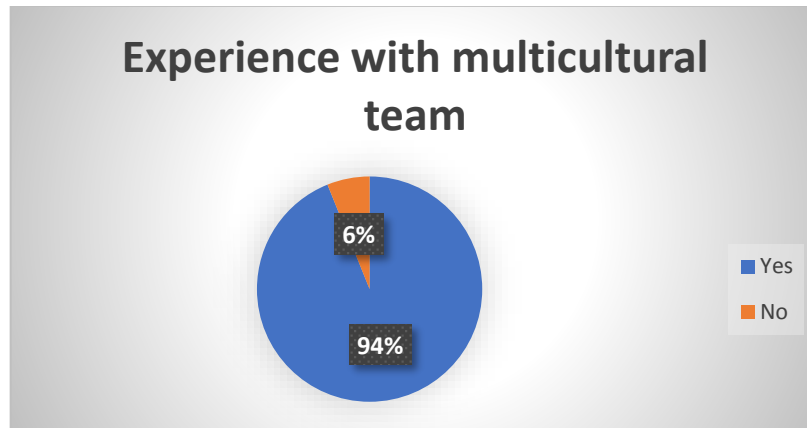


Source: Author's own work based on questionnaire (Appendix 1)

One can see that education how to work in multicultural environment is not widespread apart from a short course for software leaders and a long course for managers. Overwhelming 90% did not get any education in this regard.

6) Do you have experience with multicultural teams?

*Graph 6: Whether employee has experience in a multicultural team*



*Source: Author's own work based on questionnaire (Appendix 1)*

As one can see, most of the employees have experience in multicultural teams (94%). Only a small number did not participate in those teams, but they may be newcomers or they are simply working together, as the number suggests.

7) If yes, what kind of team do you prefer? Monocultural or multicultural?

*Graph 7: Whether employee prefers a multicultural or monocultural team*



*Source: Author's own work based on questionnaire (Appendix 1)*

Even though there are some issues with multicultural teams, nearly  $\frac{3}{4}$  of employees do prefer diversity to monocultural teams.

8) Have you ever experienced issues based on different understanding of culture?

*Graph 8: Issues because of culture misunderstanding*

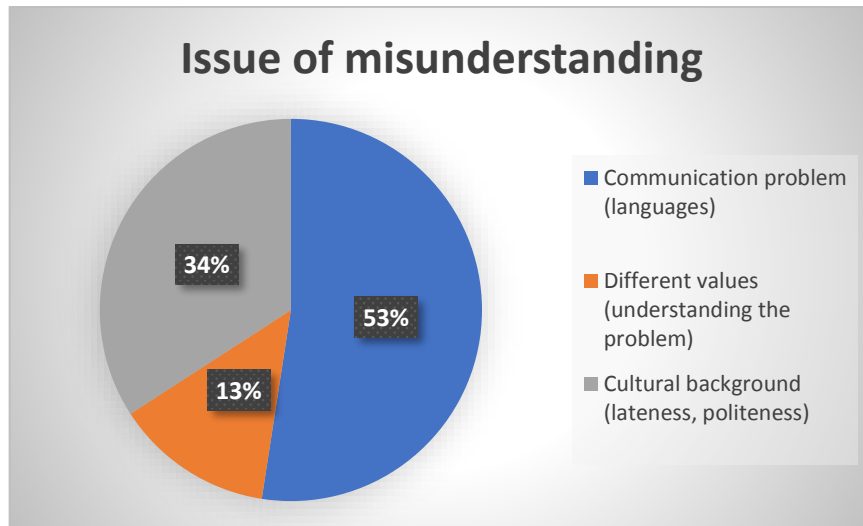


*Source: Author's own work based on questionnaire (Appendix 1)*

As expected in an international company, mistakes do happen (98%); and it is always close to a misunderstanding.

9) If yes, due to what was the issue caused?

*Graph 9: Due to what did that misunderstanding from Graph 8 happened?*



*Source: Author's own work based on questionnaire (Appendix 1)*

It seems that problems in communication and language barrier bear the most misunderstanding (53%), which can greatly impact the whole workplace.

10) Do you think multicultural team help you in dealing with foreign clients?

*Graph 10: Do you think multicultural teams help you in dealing with foreign clients?*

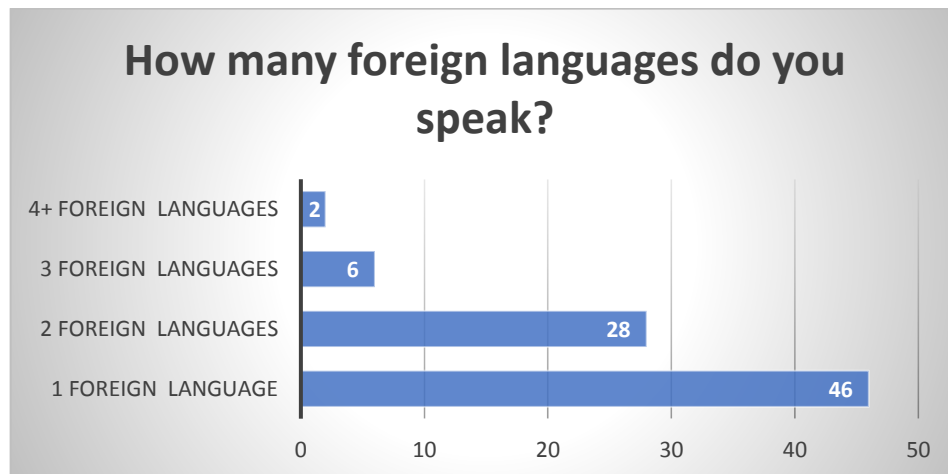


*Source: Author's own work based on questionnaire (Appendix 1)*

Seeing that over 50% employees have problem with communication and languages, it is clear that a person who can speak the language is a welcome addition to the team.

#### 11) How many foreign languages do you speak?

*Graph 11: How many foreign languages do you speak?*

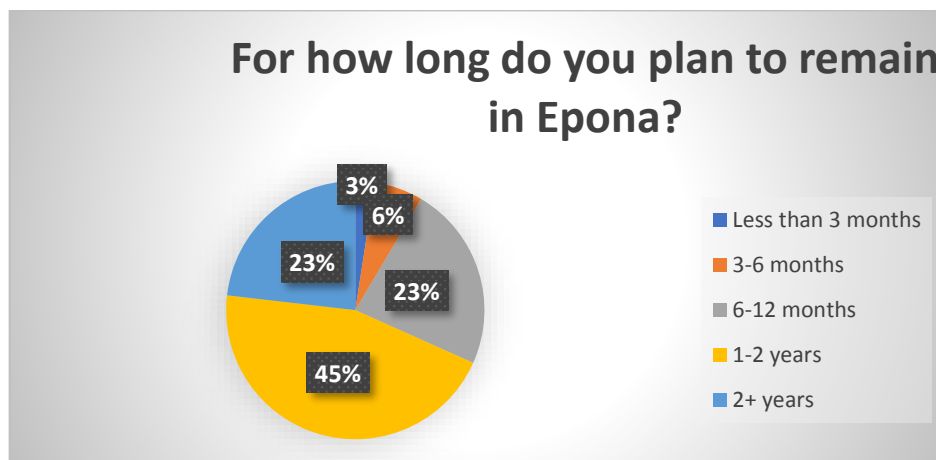


*Source: Author's own work based on questionnaire (Appendix 1)*

More than half of the company speaks only English as a foreign language (46) – one can guess that the rest, who have more than two languages, work for a specialised team.

#### 12) For how long would you like to stay in the company?

*Graph 12: For how long do you plan to remain in Epona?*



*Source: Author's own work based on questionnaire (Appendix 1)*

As there are not enough positions where to grow, this outcome was to be expected. Management should look into why up to 25% want to leave within one month.

#### **2.2.6. Interpretation of questionnaire for leaders/management**

There are two different questionnaires for two different levels of managers. While the first one is an Italian software leader with two years of experience (one year of leading a team), the second one is a Czech manager who is leading the department for two years, being six years total in the company. The questions are slightly different, but they should bring an interesting confrontation of the ideas between two close positions. The list of questions can be found in the appendices at the end of the thesis and an overview can be found at the end of this subchapter.

##### **Responses of the team leader, Sofia:**

- 1) Did you receive a special training, compared to other employees, when you became a manager?

*Yes, I have received an additional training; it took about one week. Compared to the training for lower positions, which lasts for about one month, it was rather fast; we spoke about how to deal with different cultures, but rather briefly.*

- 2) During the training, did you receive any special training how to handle multicultural teams?

*Sadly, no. While now most of the teams are multicultural, unless they are forming a new, there is no additional training how to deal with different cultures. The company believes in skills of their employees and does not offer any trainings in this regard.*

- 3) How many members does your team have? How many of them come from a different culture? With what countries do you deal most often?

*There are six members in my team not including me. Two of them are Czech, two are Japanese, one is Swedish and one is from Brazil. Therefore, we are able to deal with most of the language issues, as one of the Czech employees speaks French. We mostly deal with Japanese, French and Indian, but with the last we speak English. Also, we have some Swedish accounts.*

- 4) Have you been treated differently by Czech employees? How do you cope with different environment?

*I am still not used to some aspects of the Czech culture – for example, humour is quite different. Also, as we have to improvise a lot, there are issues mostly between Czech and Japanese members of the team, which I have to solve. While Japanese team mates believe I should be the judge, others are not so inclined to that idea.*

- 5) What do you think are the greatest multicultural teams' weaknesses and strengths?

*We are having issues with several parts of the project, where we need to solve issues fast and the language barrier in English is limiting us. While it is great that as a team we can speak many languages, some employees' English is not on par. However, when we do agree on a solution, it is solved fast.*

- 6) Have you ever experienced an issue based on different culture within your team?

*On a daily basis, I have to say. The greatest obstacle is, as I mentioned before, communication within the team and different expectations from me. Sometimes it can be a bit overwhelming, but that is also because of the different characters of my team mates. Otherwise, Japanese and French clients.*

- 7) What would you say is the biggest impact of different cultures on you?

*While it is not taking me that much time to divide a new project, putting the pieces together is not an easy task. Sometimes it seems as the team does not know how to behave to each other, even though they are friendly to each other.*

- 8) If you could choose, would you choose to have monocultural, or multicultural teams?



*Depends on the type of job. While having a monocultural team may be beneficial as we work faster, sometimes we got stuck on an issue that is now easily solvable. Perhaps if we could have people who speak the languages that we need, but then we would still lose the different insight that a multicultural team brings...*

9) What was the hardest stage for your team?

*If someone from the team leaves and we have to find a new person into our team, as it somehow breaks the dynamics of the team; more often than not, we have to bring someone inexperienced in cultural issues and it is tiresome for some time.*

### **Responses of the manager, Lucie:**

1) Did you receive a special training, compared to other employees, when you became a manager?

*Yes, I have received a special training; to become a people's manager one must study for at least a year at our mother company, and only if we are successful, we can become people's managers.*

10) During the education, did you receive any special training how to handle multicultural teams?

*Yes, I have received a special education concerning multicultural teams, because about half of our employees are foreigners. While for some positions I believe it is not necessary, it might still be useful.*

11) How many members does your department have? How many of them come from a different culture?

*There are 24 people in my department and they are divided into three teams of six or seven people a team. Eleven of them are foreigners, mostly from Europe and Asia, but we do have employees in the firm from every continent.*

12) Have you been treated differently by foreign employees? How do you help people in different environment?

*Yes, but that is understandable. That is why we have a specialised person at Human Resources to deal with issues that may arise for foreigners. Overall, I would have to say foreigners are politer, but it of course depends on where they are from.*

13) What do you think are the greatest multicultural teams' weaknesses and strengths?

*The weakness is probably finding the right leader for the team; sometimes it just does not work and the team struggles because of it. We always try to choose the right person, but even then, not everyone is suited for the job or experienced enough to fulfil the position as we desire. Furthermore, as sometimes teams are not great in cooperation, we tend to have high turnover rate. Strength is in the diversity, I would say.*

14) Have you ever experienced an issue based on different culture within your team?

*Right, of course. Everything was manageable, though. In one case, we had to let the person go, but that was because we could not reach an agreement. Also, we are having issues with meeting after work; we are colleagues, not friends. We do not know the way to each other.*

15) What would you say is the biggest impact of different cultures on you?

*I have more paperwork, but I get to know different cultures and practice my English, so I am quite happy with the current situation. Sometimes team leaders have problems with motivating and persuading their teams, so occasionally we have to solve that problem. Also, as I am not used to everyone's culture, it is sometimes difficult to solve a situation.*

16) If you could choose, would you choose to have monocultural, or multicultural teams?

*I do like multicultural teams more than monocultural.*

17) On what was the "multicultural training" based on?

*We had example cases to solve, as well as roleplaying, where the examiner marked us. I also had to read several books about this topic, but otherwise we were expected to already have some experience in leading teams.*

The response **overview** from both leaders and their differences:

*Table 1: Overview of responses from team leader and manager*

	Sofie (Team leader)	Lucie (manager)
Have you had a training?	Yes, for one week	Yes, for one year
Multicultural training?	For one hour	Repeatedly, several classes
Members of team? From where?	6 2 Japanese, 2 Czech 1 Swedish, 1 Brazilian	24 Half of them foreigners
Treated differently by foreigners?	Yes, difficult communication	Yes, but acceptable
Strength/Weaknesses?	Strength in diversity and languages, weakness is in team communication	Hard to find a leader for the team Diversity of opinions is great
Issue because of culture?	Yes, daily	Yes, but manageable
How does multiculturalism affect you?	Difficult to communicate Time consuming work	More paperwork Solving unusual problem in monocultural team Problems with team leaders
Multicultural/Monocultural?	Depends on the task	Multicultural
Hardest stage of the team?	Welcoming a newcomer	X
Specialties of multicultural training?	X	Roleplaying, example cases

*Source: Author's own work based on discussion (Appendix 2 and 3)*

### 2.2.1. Hofstede's analysis of cultural dimensions in the company

There are thirteen different nationalities in *Epona*. However, there is no Namibia in Hofstede's analysis, therefore I will take into consideration the remaining twelve. In the table below, one may see the analysis for those remaining countries. Let us take into consideration four countries that were mentioned the most in the questionnaires:

Table 2: Hofstede's analysis of cultural dimensions in the company

	Power distance	Individualism	Masculinity	Uncertainty	Long term orientation	Indulgence
Czechia	57	58	57	74	70	29
Slovakia	104	52	110	51	77	28
Romania	90	30	42	90	52	20
Poland	68	60	64	93	38	29
Hungary	46	80	88	82	58	31
Japan	54	47	95	92	88	42
Sweden	31	71	5	29	53	78
Brazil	69	38	50	80	45	59
India	77	48	56	40	51	26
Korea	60	18	39	85	100	29
Italy	49	76	70	75	61	30
Mexico	81	30	69	82	24	97

Source: Author's own work based on Hofstede (2010)

According to this table, the leader can follow the previous theoretical part in order to understand more about the selected culture. Still, as there are three interesting cultures there were mentioned several times during this thesis, we may focus on them a bit more. After looking at the table, one may imagine that the largest problem in the team may be the cooperation between a Japanese and a Swedish teammate. They never reach closer than by 23 points and that is in Power Distance. If one takes a closer look at Sweden, it is clear that “[s]weden is a very feminine society, according to Hofstede’s model. Here, people focus on managing through discussion, consensus, compromise and negotiation” (mindtools).

If one compares this to the hierarchy and masculinity of Japanese, it is not a long stretch to imagine that it may create more problems than solve them. As Lewis states, a way to get into Japanese’s good side is by flattery and politeness (Lewis 519). Therefore, it is interesting for the leader to go through the table and understand where the difficulty may lie. But, as Lewis jokingly mentions, there is always a grain of truth in everything: “[f]or a German and a Finn, the truth is the truth. In Japan and Britain it is all right if it doesn’t rock the boat. In China there is no absolute truth. In Italy it is negotiable” (Lewis 3).

### 2.3 Analysis summary for *Epona*

According to the surveys and information given by the company, it is clear that most of the employees enjoy working in Epona. While Epona itself is a part of an international company dealing with licensing and software, they manage accounts for foreign clients. It is interesting to perceive how is cultural diversity affecting management and standard employees as well; to understand the company better, management provided the author of this thesis data to create an analysis, even though at the same time the management does not want to share the name of the company. Nevertheless, over 80 employees agreed to submit a questionnaire to make the data more complete. According to the analysis, these issues are:

- Inefficient communication within the teams
- Flawed team creation
- Insufficient education of cultural background

According to the analysis, virtually every employee was affected by his or her foreign co-workers. Even though most of the teams are multicultural, ¼ of employees would like to have monocultural teams without any foreigners. At the same time, though, 90% of workers do agree that having someone in the team might be useful, as they are unsure about their language skills, mostly; over 50% of employees know only one foreign language. Qualitative questionnaire with team leader and a manager provided even more insight into the firm – it seems that greatest problems are in cooperating with both Japanese clients and employees, as their culture is different from European culture. Sofia, the team leader, acknowledged that due to cultural barriers, every single day she needs to find time to solve issue within and out of the team. The greatest problem of multicultural teams, according to Sofia, is the renewal of inexperienced co-workers, as they need to perceive the cultural differences once again. As a basic, one can find a table marking differences based on Hofstede's cultural dimensions in *table 2*.

The most pressing issue for the management seems that up to 25% people would like to leave within one year, as there is little to no possibility in moving up the ladder in this department. It seems there are certainly ways how to improve the performance of the company, be it an education or better division of labour.

### **3 PROPOSALS AND CONTRIBUTIONS OF SUGGESTED SOLUTIONS**

There are several topics where augmentation of performance in *Epona* is possible. It seems that according to the dialog with management, the ambience in the company is not as good as it could be; furthermore, as up to 25% want to leave within 6 to 12 months, it seems that turnover is high, even though 68% of employees are already in *Epona* for more than six months. There are some improvements that could be done to improve the mood in the firm and stop employees from leaving too the company too early.

#### **3.1 Communication improvements, education**

There are four basic suggestions that could improve the communication and ambience in the team, but most of them will take some funds from the company.

##### **3.1.1. Language education**

Hofstede claims that one of the best opportunities one might have is to learn the language: “even better preparation for a specific assignment is, of course, learning the local language [...] most employers do not plan far enough ahead to allow their expatriates such an amount of time for language learning, to their own detriment” (Hofstede, 421). As over 50% of employees speak only one language, it seems wise to set up language courses.

Concerning the cost, as once again, over 50% workers admitted lacking skill in languages and therefore creation of misunderstanding, this is a point that needs to be worked on. It is also important to note that language learning in groups brings more than just the knowledge of another language and being less prone to make mistakes out of misunderstanding, but it even bonds the team if done correctly. There are several possibilities how to set up language courses at minimal cost:

- Demand from the maternal company a language teacher
- Pick the most skilled person from the company and at first, set up language courses for smaller groups (offer bonus to the employee)

- Create a volunteering group to teach languages
- Out-source the teacher from an external company

As the author is familiar with the maternal company, there is a group of professional teachers as well as voluntary ones; it depends on the company what exactly they want. I believe that this is the cleanest solution, as it costs minimal funds and brings a lot on the table. Even hiring a foreign teacher seems great, as for the cost the company will get numerous advantages. This applies doubly for team leaders and managers, who need to be in constant contact with foreigners and clients. It would also help the point that Sofia made with Japanese and French clients not being able to discuss issues properly. Breaking the language barrier is one of the most important things to do; if the employees can improve their language skills (especially for free), they will take it as another incentive to stay in the company.

In various big companies, there is always a volunteering group that teaches several languages and anyone can join them. Getting this group to *Epona* would be great; if you do not need them anymore, it would be easy to find someone new.

However, the best option would be to hire a skilled teacher from an external company, as it usually brings in the best results. Therefore, this seems like the best variant, but also the most expensive. Let us imagine 10 people per 250/person an hour, which is a standard rate for an English teacher:

*Table 3: Calculation of external teacher, English*

Contribution:	250 CZK per person/lecture
Number of employees at the education	10
Total cost per month (4 lectures):	10.000 CZK
Total cost per year:	120.000 CZK

*Source: Own creation of the author*

However, other languages are more expensive. For example, French may cost around 300-35 CZK per person:

Table 4: Calculation of external teacher, French

Contribution:	350 CZK per person/lecture
Number of employees at the education	10
Total cost per month (4 lectures):	14.000 CZK
Total cost per year:	168.000 CZK

Source: Own creation of the author

Nevertheless, the advantages would be great; as said, apart from motivating the employees, they would learn more about the French culture in this case. For English, they would improve their communication with their teammates, which is also invaluable.

### 3.1.2. Improvements in Teambuilding activities

Lucie mentioned that the ambience in the firm is lacking; it seems as a possibility for the high turnover. Although it is not the greatest option, possibly start from smaller groups and invite others; of course, there will be people that do not want to come no matter what, but be proactive as team leaders and managers. There are many foreigners in *Epona*; they know no-one and if they are shy, it needs to be you to ask first.

There are many possibilities where to go, as it does not have to be a bar (although, if there are three Japanese employees, many Czech and Slovaks, it is always viable).. Another possibility is to convince someone first – and let the circle grow through the teams. Here are several possibilities that could improve the mood of the team and management can decide on which suits which team the best, but it would be good to incorporate several teams, if not the whole department, at the same time, if possible:

- a) Bar
- b) Mini-golf
- c) Laser-game
- d) Bowling

It is important to keep in mind that the company does not have to pay everything. For example, during bowling, every employee can buy his or her own drinks. On the other



hand, it is difficult to count the cost without knowledge of a previous event; or if there was any event, even.

### 3.1.3. Motivation at the company's location

There are further possibilities how to include several people in discussion and raise the employees' loyalty and mood towards the company, but they do not have to be located in an external location. Several innovative companies often utilise these non-expensive tools to improve the happiness in the office.

#### *a) Free breakfast*

Free breakfast is a great tool how to improve the mood within the firm and raise its value. Even among other firms, this tool is very positively accepted. However, the cost would be a somewhat higher than the second possibility. Let us imagine 20 CZK per person, as when one is buying for more people, the cost are significantly lower.

*Table 5: Free breakfast*

Contribution:	20 CZK per person
Number of employees	120 CZK
Total cost per day:	2.400 CZK
Total cost per month (22 days):	52.800 CZK
Total cost per year:	633.600 CZK

*Source: Own creation of the author*

Nevertheless, to lower the amount of money spend, one can do this even once a week, let us say Tuesday, which would bring the company monthly to 10.560 CZK – slightly over third of average salary for the Czech Republic.

#### *b) Beer Fridays*

Beer Fridays do have some tradition in the Czech Republic. However, contrary to free breakfast, this event would happen only once per week, which would reduce the costs

by a huge margin. On top of it, let us expect that only half of people would drink beer after work – and let us think about slightly better beers, therefore 30 CZK per person.

*Table 6: Beer Fridays*

Contribution:	30 CZK per person
Number of employees drinking	60
Total cost per week:	1.800 CZK
Total cost per month (4 days):	7.200 CZK
Total cost per year:	86.400 CZK

*Source: Own creation of the author*

One can see that Beer Fridays are cheaper, but breakfast is for everyone.

### **3.1.4. Internal or External multicultural education**

Both Sofia and Lucie admitted that there is no education concerning multicultural diversity, how to deal with unexpected situation and other cultures, how to influence others and much more. Of all the proposals, this seems to be the most expensive. There are basically two choices:

Another issue is the time after the creation of the team and the honeymoon stage. Lucie, the manager, mentions that there are few and far friendly bonds within the firm and it is always hard to find experienced leaders willing to lead. This goes hand in hand with education and possible continuous focus on the team.

- External multicultural education
- Internal multicultural education

While the second choice would be cheaper, to hire a professional would increase the whole company's progress in understanding each other and the Account Executives as well. Furthermore, once again, there is the bonus that if done properly, it would bond the workers together. Therefore, let us imagine that one lecture for a hall full of people costs 5.000 CZK – if one wants to perform it only for a smaller group, it would be costlier, of course. If one takes into consideration a group of twenty people and the pay is 2.000 for two hours, it would take 12.000 CZK to have a basis the company can work on.

Setting team rules would be also great, such as team dinners; increasing exposure to other cultures would be at no cost and improve the ambience and skills of employees.

### **3.2 Team creation and continuous focus on the team**

In the first part of the thesis, Hibberts mention the importance of correct team creation. In the company, one can perceive that the creation of smaller teams is based on the availability of personnel; however, as Hibberts mention, creation of the team is extremely important. Configuring this stage of the team creation might enhance the success of the firm. For example, as there are 25% of people, who would like to work in monocultural teams, it seems more than possible. Furthermore, if there is a possibility of inviting at least parts of the team to the interview for new employees, I believe that they would bond faster with people they like; also, the team would feel more important. As the *Society for Human Resource Management* claims, it is almost never a good choice to have high turnover rate in specialised companies, as it is very expensive for the company; according to the average calculations, about half of the yearly salary is a possibility (SHRM). Therefore, it is important to continuously focus on the teams from beginning, even assign an experienced person that might help in this dire time.

#### **3.2.1. Hold regular meetings**

It seems that the management and team leaders are having a hard time leading the teams, for they are solving “issues daily” and have “too much paperwork”. One of the possible solutions is to hold regular meetings – one can do them even while standing up, stand-up meetings – and be done with them in five minutes, just for the team leader and manager to know how the situation looks like and whether the team does need help with something. Another possibility for manager is to have an open-door policy, set an hour every week to solving problems of your team. The costs are minimal, as it can take only a small amount of time.

### **3.3 Summary of the suggested proposals**

Based on the gathered data, these proposals may be considered:

- Communication improvements (Especially language education and multicultural awareness)
- Series of actions to stop employees from leaving the company
- Better integration of newcomers and team structure

By fulfilling the above-mentioned points, it should be possible to lower the turnover rate and increase familiarity within the team by rather small cost for the company.

## CONCLUSION

This thesis deals with impact and issues of cultural diversity on management and leadership in a selected company. Due to globalisation, multicultural teams become more prevalent nowadays. However, leading a multicultural team demands experience and solid communication between employees. The main objective of this thesis is to prepare proposals for the selected company to augment their business and enhance their teamwork, if possible.

In the first chapter, the elemental basics of intercultural management are shown with consultation from several authors, with focus on Hofstede. Theory of culture and communication are explained, while at the same time showing the difficulties in multicultural team formation. Advantages and disadvantages are explained and necessary information is provided to serve as a ground for following chapters.

The second chapter focuses on analysis of the company *Epona*, which is a smaller company belonging to an international company. In this chapter, one finds a short description of the company, the services it provides and a structure of the company. Based on the information provided by the company and by the questionnaires give to both standard employees and their managers, an analysis has been made to understand the impact of different culture on the firm. Furthermore, an analysis based on the previous chapter's theories is conducted, as well as the evaluation of the questionnaires.

The last chapter aims to propose enhancement ideas to the company. It utilises the knowledge from both previous chapters, as well as the questionnaires and analyses. Probably the most important suggestion is to improve the mood in the company via teambuilding to stop the possible turnover, or improve communication within the company with language courses and education on multicultural background, as over half of the employees have problems in understanding foreigners and other cultures.

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Appendix 1: Questionnaire for employees

Appendix 2: Interview with a manager

Appendix 3: Interview with a team leader

## Appendix 1: Questionnaire for employees

### Questions:

- 1) What is your gender?
- 2) How old are you?
- 3) What is your nationality?
- 4) For how long do you work in *Epona*?
- 5) Did you receive any education at the beginning of your work regarding (multi)culture?
- 6) Do you have experience with multicultural teams?
- 7) If yes, what kind of team do you prefer? Monocultural or multicultural?
- 8) Have you ever experienced issues based on different understanding of culture?
- 9) If yes, due to what was the issue caused (choose one)?
  - a) Communication problem (languages)
  - b) Different values (understanding the problem)
  - c) Cultural background (lateness, politeness)
- 10) Do you think multicultural teams help you in dealing with foreign clients?
- 11) How many foreign languages do you speak?
- 12) For how long would you like to stay in the company?

## **Appendix 2: Interview with a manager**

### **Questions:**

- 1) Did you receive a special training, compared to other employees, when you became a manager?
- 2) During the training, did you receive any special training how to handle multicultural teams?
- 3) Have you many members does your department have? How many of them come from a different culture?
- 4) Have you been treated differently by foreign employees? How do you help people in different environment?
- 5) What do you think are the greatest multicultural teams' weaknesses and strengths?
- 6) Have you ever experienced an issue based on different culture within your team?
- 7) What would you say is the biggest impact of different cultures on you?
- 8) If you could choose, would you choose to have monocultural, or multicultural teams?
- 9) On what was the "multicultural training" based on?

## **Appendix 3: Interview with a team leader**

### **Questions:**

- 1) Did you receive a special training, compared to other employees, when you became a manager?
- 2) During the training, did you receive any special training how to handle multicultural teams?
- 3) Have you many members does your department have? How many of them come from a different culture?
- 4) Have you been treated differently by foreign employees? How do you help people in different environment?
- 5) What do you think are the greatest multicultural teams' weaknesses and strengths?
- 6) Have you ever experienced an issue based on different culture within your team?
- 7) What would you say is the biggest impact of different cultures on you?
- 8) If you could choose, would you choose to have monocultural, or multicultural teams?
- 9) What was the hardest stage for your team?